



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

December 21, 2000

CERTIFIED RETURN RECEIPT
Z 228 355 110

W. Gene Webb
Steve Flechner
North Lily Mining Company
1800 Glenarm Place, Suite 210
Denver, Colorado 80202

Re: Replacement Reclamation Contract, North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Mr. Webb and Mr. Flechner:

Thank you for providing the original Reclamation Contract for the Tintic Project, which was received December 15, 2000. This contract reflects the current reclamation surety amount of \$191,500 for the Tintic Project, and replaces the \$158,900 contract which was signed in April 1991.

The Division Director signed and executed the replacement Reclamation Contract on December 21, 2000. We have enclosed a copy for your records, along with a copy of the Certificate of Deposit (CD) #~~001297~~ and copies of two letters from First Security Bank showing the CD amount being retained is \$191,500. We have also enclosed the old original Reclamation Contract with the effective date of April 26, 1991 for your disposal.

We appreciate the working relationship we have formed in finalizing the completion of the reclamation work on North Lily's Tintic Project. If you have any questions regarding this letter, please contact me at (801) 538-5286.

Sincerely,

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosure: RC dated 12/18/00 & original RC effective date 4/26/91
M23-07-surety

0035

FORM MR-RC
Revised January 18, 2000
RECLAMATION CONTRACT

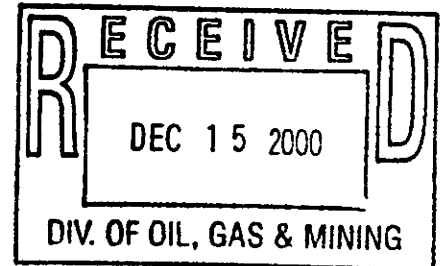
File Number M/023/007

Effective Date Dec 21, 2000

Other Agency File Number _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT
---ooOoo---



For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/023/007
(Mineral Mined) Gold / Silver

"MINE LOCATION":
(Name of Mine) Tintic Project
(Description) (Cyanide Leach Plant)

"DISTURBED AREA":
(Disturbed Acres) 24.6
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) North Lily Mining Co
(Address) 1800 Glenarm Place #210
Denver, CO 80202

(Phone) (303) 294-0427

"OPERATOR'S REGISTERED AGENT":

(Name)
(Address)

C.T. Corporation System
50 West Broadway
Salt Lake City, Utah 84101

(Phone)

801 364 5101

"OPERATOR'S OFFICER(S)":

W. Gene Webb, Exec. Vice President
Stephen E. FLECHNER, President

"SURETY":

(Form of Surety - Attachment B)

Certificates of Deposit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

First Security Bank
~~0000000000~~

"SURETY AMOUNT":

(Escalated Dollars)

\$191,500

"ESCALATION YEAR":

2002

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between North Lily Mining Company the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/023/007 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated August 25, 1983, and the original Reclamation Plan dated August 25, 1983. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's

request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

North Lily Mining Company
Operator Name

By W. Gene Webb
Authorized Officer (Typed or Printed)

EXECUTIVE Vice-President
Authorized Officer - Position

[Signature]
Officer's Signature

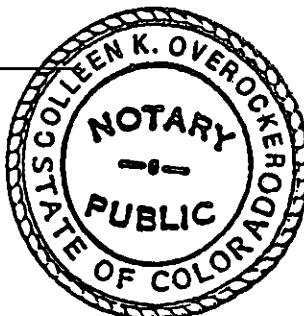
12 July 2000
Date

STATE OF Colorado)
COUNTY OF Denver) ss:

On the 12th day of July, 2000, personally
appeared before me W. Gene Webb who being
by me duly sworn did say that he/she, the said W. Gene Webb is
the Executive Vice President of North Lily Mining Company
and duly acknowledged that said instrument was signed on behalf of said company by
authority of its bylaws or a resolution of its board of directors and said
W. Gene Webb duly acknowledged to me that said company
executed the same.

Colleen K Overacker
Notary Public
Residing at: 4613 Clay St #222
Westminster, CO 80031

5/17/03
My Commission Expires:



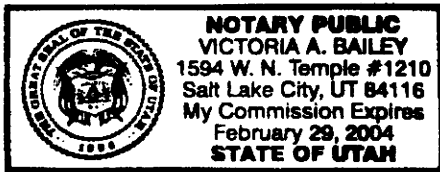
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

12/21/00
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 21st day of December, 2000,
personally appeared before me Lowell P. Braxton, who being
duly sworn did say that he/~~she~~, the said Lowell P. Braxton
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,
State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing
document by authority of law on behalf of the State of Utah.



Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, UT

February 29, 2004
My Commission Expires:

ATTACHMENT "A"

North Lily Mining Company
Operator

Tintic Project
Mine Name

M/023/007
Permit Number

Juab County, Utah

The legal description of lands to be disturbed is:

NE1/4 of NE1/4 of Section 35
Township 10 South, Range 3 West
Juab County, Utah



First Security Bank of Idaho, N.A.

Deposit Receipt

Issued at Payson City and State Payson, Utah

Received of NORTH LILY MINING FOR State of Utah Dept
of NATURAL RESOURCES, DIVISION OF OIL, GAS, & MINING,
BOND Owner(s)
The Sum of ***One Hundred Eighty Five Thousand Nine
Hundred and no/100***** Dollars

Terms and Conditions. This deposit is subject to the terms and conditions stated on both sides of this Deposit Receipt and on the Deposit Conditions of the same account number issued herewith.
Interest Rate. Interest is calculated on a simple interest basis and paid as shown on this Deposit Receipt.
Frequency of Rate Change. If the interest rate on this deposit is subject to change during the term of the deposit, the frequency of change is shown on this Deposit Receipt.
Automatic Renewal. If automatic renewal is shown on this Deposit Receipt, this deposit shall be renewed for successive identical terms at each maturity date, at the then prevailing rate, unless payment is requested by the registered owner(s).
Notice Period. If the Bank reserves the right to require written notice prior to payment of this deposit, the notice period is shown on this Deposit Receipt.

SD-20A R 1/907Y

Office Number <u>048</u>	Product Code <u>155</u>	Account Number <u>000000</u>
Date of Deposit <u>03-15-96</u>	Amount <u>\$***158,900.00****</u>	
Interest Rate <u>07.500</u>	Frequency of Rate Change <u>Fixed</u>	
Maturity Date <u>03-15-96</u>	Term <u>5YR</u>	Frequency of Interest Payment <u>Quarterly</u>
Automatic Renewal <u>YES</u>	Notice Period <u>N/A</u>	Interest Payment Method <u>Compound</u>
Social Security or Tax ID Number <u>000000000</u>		

Received by Barbara Butler
Authorized Signature
Depositor Copy

**First
Security
Bank.**

August 1, 2000

To whom it may concern:

The balance being held on the certificate of deposit from North Lily Mining is \$191,500.00 as of this date.

Sincerely,



Ann Norman
Manager

RECEIVED

AUG 01 2000

**DIVISION OF
OIL, GAS AND MINING**



M/023/007
Bond

August 24, 2000

Lowell P. Braxton
Director
Department of natural Resources
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

RE: Certificate of Deposit Balance, Account Number 048-155-1711979, North Lily Mining Company,
Tintic Project, M/023/007, Juab County, Utah

Dear Mr. Braxton:

In Response to your letter dated July 14, 2000, we hereby acknowledge that First Security Bank has released and transferred accumulated interest in excess of \$191,500 account balance, until such time as the Division of Oil, Gas and Mining provides appropriate written instructions and authorization to do otherwise.

We are unable to provide additional quarterly interest statements for North Lily Mining on this account since we do not have a way to do that with our current computer system. Also any further transfers of accrued interest to North Lily Mining Company's supplemental account will need to have a signed withdrawal authorized by the Director of your Department.

If you have questions regarding this account, please contact me or Brenda Peterson at (801) 465-1338.

Sincerely,

Ann Norman
Branch Manager

RECEIVED

AUG 28 2000

DIVISION OF
OIL, GAS AND MINING